

**CONFORMED COPY**

**IDA GRANT NUMBER H104 MOZ**

# **Development Grant Agreement**

**(Regional HIV/AIDS Treatment Acceleration Project)**

**between**

**REPUBLIC OF MOZAMBIQUE**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated July 14, 2004**

**IDA GRANT NUMBER H104 MOZ**

**DEVELOPMENT GRANT AGREEMENT**

AGREEMENT, dated July 14, 2004, between REPUBLIC OF MOZAMBIQUE (the Recipient) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has undertaken to support the Treatment Acceleration Program (the Program) in Burkina Faso, Republic of Ghana and Republic of Mozambique so as to test the feasibility of scaling-up existing HIV/AIDS treatment initiatives in Africa, and to promote in-country and cross-country learning with the support of the World Health Organization and United Nations Economic Commission for Africa;

(B) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project which forms part of the Program;

(C) by an agreement dated May 16, 2003, the Association agreed to make available to the Recipient funds for the implementation of the HIV/AIDS Response Project within the framework of the Multi-Country HIV/AIDS Program for the Africa Region and the Recipient desires to scale-up its HIV/AIDS treatment response by taking part in the Program;

(D) the Association has entered into an agreement with the World Health Organization dated July 14, 2004 (the WHO Agreement), under which the Association has agreed to provide a grant to assist in the financing of part of the Program, on the terms and conditions set forth in the WHO Agreement;

(E) the Association has also entered into an agreement with the United Nations Organization (represented by the United Nations Economic Commission for Africa) (hereinafter referred to as UNECA) dated July 14, 2004 (the UNECA Agreement), under which the Association has agreed to provide a grant to assist in the financing of part of the Program, on the terms and conditions set forth in the UNECA Agreement; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the modifications set forth in Schedule 6 to this Agreement (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) “ART” means Anti-Retro Viral Therapy;
- (b) “ARV” means Anti-Retro Viral;
- (c) “BCC” means Behavior Change Communication;
- (d) “CNCS” means the *Conselho Nacional de Combate ao Sida*, the Recipient’s National Council to Combat HIV/AIDS, established and operating pursuant to Decree No. 10 dated May 23, 2000;
- (e) “DNS” means the *Direcção Nacional de Saude*, the National Directorate of Health Services of the Recipient’s Ministry of Health, referred to in paragraph A.3 (a) of Schedule 4 to this Agreement;
- (f) “DPC” means the *Direcção de Planificação e Cooperação*, the Directorate of Planning and Cooperation of the Recipient’s Ministry of Health, referred to in paragraph A.3 (a) of Schedule 4 to this Agreement;
- (g) “Environmental Management Plan” or “EMP” means the Environmental Management Plan dated September 30, 2002, satisfactory to the Association, describing measures for mitigating the potential environmental impact of hazardous and other wastes produced under the Project, as well as small civil works, as the same may be updated from time to time with the agreement of the Association;
- (h) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;
- (i) “Fiscal Year” or “FY” means the fiscal year of the Recipient starting January 1 and ending December 31, each calendar year;

(j) “Five Elements of Treatment and Care” means: (i) VCT; (ii) home based patient care and family support; (iii) treatment of opportunistic infections; (iv) ART; and (v) PMTCT and PMTCT-Plus;

(k) “GACOPI” means the *Gabinete de Coordenação de Projectos de Investimentos*, the Recipient’s Office for Coordination of Investment Projects, operating within MOH and referred to in paragraph A.3 (b) of Schedule 4 to this Agreement;

(l) “HIV/AIDS” means Human Immuno-deficiency Virus / Acquired Immune Deficiency Syndrome;

(m) “Implementing Partner” means a non-governmental organization or private sector entity that has been selected by the Recipient to take part in the Project and with whom MOH has entered into a Sub-Grant Agreement in accordance with paragraph C of Schedule 4 to this Agreement;

(n) “MOH” means the Recipient’s Ministry of Health or any successor thereto;

(o) “National Treatment Committee” means the National Treatment Committee of the Recipient’s Ministry of Health referred to in Paragraph A.3 (c) of Schedule 4 to this Agreement ;

(p) “PMTCT” means Prevention of Mother to Child Transmission;

(q) “PMTCT-Plus” means Prevention of Mother to Child Transmission plus other interventions, including family centered care linked to the local community, continuity of care drawing on a multi-disciplinary team of providers and long term retention of patients, ART for the mother and infected infant and family members, psychosocial support and treatment of STIs, and interventions to integrate treatment adherence with other available community programs such as family planning and reproductive health;

(r) “Project Operational Manual” means the Project Operational Manual, to be adopted in accordance with Section 6.01 (a) of this Agreement, giving details of guidelines and procedures agreed with the Association for the implementation, supervision, and monitoring and evaluation, of the Project, and the procurement procedures and guidelines for Sub-Projects, as same may be amended from time to time in agreement with the Association, and such term includes any schedules to the Project Operational Manual;

(s) “Procurement Plan” means the Recipient’s procurement plan, dated May 14, 2004 covering the initial 18 month period of Project implementation, as the same shall be updated from time to time in accordance with the provisions of

Section 3.02 to this Agreement, to cover succeeding 18 month periods or such periods of Project implementation, as may be agreed with the Association;

(t) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement;

(u) “STI” means Sexually Transmitted Infection;

(v) “Sub-Grant” means a grant made, or to be made, to an Implementing Partner out of the proceeds of the Grant to finance a Sub-Project;

(w) “Sub-Grant Agreement” means the agreement to be entered into between the Recipient, through MOH, and an Implementing Partner, pursuant to Section 6.01 (b) and paragraph C of Schedule 4 to this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Sub-Grant Agreement;

(x) “Sub-Project” means any activity under Part A of the Project, in respect of which a Sub-Grant has been, or may be, provided; and

(y) “VCT” means Voluntary Counseling and Testing.

## **ARTICLE II**

### **The Grant**

Section 2.01. The Association agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to fourteen million four hundred thousand Special Drawing Rights (SDR 14,400,000).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement: (i) for amounts paid (or, if the Association shall so agree, amounts to be paid) by the Recipient on account of withdrawals made under a Sub-Grant Agreement to meet the reasonable costs of goods, works and services required for a Sub-Project, in respect of which the withdrawal from the Grant Account is requested; (ii) for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for carrying out the Project and to be financed out of the proceeds of the Grant.

(b) The Recipient may, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. (a) The Recipient shall pay to the Association a commitment charge on the principal amount of the Grant not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Recipient from the Grant Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.04 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Recipient; and (iii) in dollars or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of Section 4.02 of the General Conditions.

Section 2.04. Commitment charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.05. The Closing Date shall be September 30, 2007, or such later date as the Association shall establish. The Association shall promptly notify the Recipient of such later date.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project, through MOH, with due diligence and efficiency and in conformity with appropriate administrative, financial, environmental and public health practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Association shall otherwise agree, the Recipient shall carry out the Project in accordance with the implementation program set forth in Schedule 4 to this Agreement, the Project Operational Manual and the Environmental Management Plan.

Section 3.02. (a) Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out

of the proceeds of the Grant shall be governed by the provisions of Schedule 3 to this Agreement, as the said provisions shall be further elaborated in the Procurement Plan.

(b) The Recipient shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than 12 months after the date of the preceding Procurement Plan, for the Association's approval.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Association, a plan designed to ensure the continued achievement of the objectives of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Recipient on said plan.

Section 3.04. The Recipient shall afford all reasonable opportunity for representatives of the Association, WHO, and UNECA, to visit any part of its territory for purposes related to the Grant, and shall cooperate with such representatives in such manner as to facilitate the carrying out by the Association, WHO, and UNECA, of their respective obligations under the Program.

Section 3.05. Unless otherwise agreed by the Recipient and the Association, no expenditures required for a Sub-Project shall be eligible for financing out of the proceeds of the Grant, unless the Recipient shall have carried out, in accordance with the Environmental Management Plan, an environmental assessment for the Sub-Project, and shall have undertaken processes and activities to mitigate any negative environmental impacts of such Sub-Project in accordance with the Environmental Management Plan, together with evidence, satisfactory to the Association, that the Sub-Project shall not involve any involuntary resettlement.

## **ARTICLE IV**

### **Financial Covenants**

Section 4.01. (a) The Recipient shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Association), audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Association): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Association), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Grant Account were made on the basis of statements of expenditure, the Recipient shall:

- (i) retain, until at least one year after the Association has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Association's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Association), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set out in paragraph D of Schedule 4 to this Agreement the Recipient shall prepare and furnish to the Association a Financial Monitoring Report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing



separately funds provided under the Grant, and explains variances between the actual and planned uses of such funds;

- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation ; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than forty-five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than forty-five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

## **ARTICLE V**

### **Remedies of the Association**

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

## **ARTICLE VI**

### **Effectiveness; Termination**

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (b) of the General Conditions:

- (a) the Recipient has adopted the Project Operational Manual in form and substance acceptable to the Association; and
- (b) the Recipient has entered into Sub-Grant Agreements with at least two Implementing Partners in form and substance acceptable to the Association.

Section 6.02. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

## ARTICLE VII

### Representative of the Recipient; Addresses

Section 7.01. The Governor of the *Banco de Moçambique* of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 7.02 The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Banco de Moçambique  
Departamento de Estrangeiro  
Maputo  
Republic of Mozambique

Cable address:	Telex:	Facsimile:
MOBANCO	6355/7 BMMO	258 1 322015

For the Association:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) 64145 (MCI)	(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF MOZAMBIQUE

By /s/ Armando Panguene

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Nils Tcheyan

Authorized Representative

## SCHEDULE 1

### Withdrawal of the Proceeds of the Grant

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Grant, the allocation of the amounts of the Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Works	830,000	100% of foreign expenditures and 85% of local expenditures
(2) Goods, drugs and equipment	3,515,000	100% of foreign expenditures and 85% of local expenditures
(3) Consultants' services	1,240,000	86%
(4) Sub-Grants	7,100,000	100% of amounts disbursed
(5) Operating Costs	345,000	80%
(6) Unallocated	1,370,000	
	<u>=====</u>	
TOTAL	<u>14,400,000</u>	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Recipient for goods or services supplied from the territory of any country other than that of the Recipient;

(b) the term "local expenditures" means expenditures in the currency of the Recipient or for goods or services supplied from the territory of the Recipient; and

(c) the term "Operating Costs" means the incremental operating costs arising under the Project on account of local contractual support staff salaries, travel expenditures and other travel-related allowances; equipment rental and maintenance; vehicle operation, maintenance and repair; office rental and maintenance, materials and supplies; utilities and communications' expenses; field supervision costs and bank charges, but excluding salaries of officials of the Recipient's civil service.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement;

(b) the first payment to each Implementing Partner under Category 4 of the table in Part A.1 of Schedule 1 to this Agreement, unless the Association has received through the Recipient, a satisfactory annual program proposal from the Implementing Partner; and

(c) all subsequent payments to each Implementing Partner under Category 4 of the table in Part A.1 of Schedule 1 to this Agreement, unless the Association has received through the Recipient acceptable financial and implementation reports for the previous quarter from the Implementing Partner.

4. The Association may require withdrawals from the Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$250,000 equivalent per contract; (b) works costing less than \$500,000 equivalent per contract; (c) services of individual consultants costing less than \$50,000 equivalent per contract; (d) services of consulting firms under contracts costing less than \$100,000 equivalent per contract; and (e) all operating costs, all under such terms and conditions as the Association shall specify by notice to the Recipient.

## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to assist the Recipient to scale-up and implement comprehensive treatment programs for persons living with HIV/AIDS by providing a range of quality services which are effective, affordable and equitable.

The Project consists of the following Parts, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objectives.

#### **Part A: Scaling-Up HIV/AIDS Care and Treatment**

Provision of Sub-Grants to support the enhancement and expansion of the Five Elements of Treatment and Care provided by Implementing Partners, including: (a) rehabilitating health facilities and expanding the number of VCT and ante-natal sites; (b) carrying out of BCC; (c) provision of training to community counselors, birth attendants, and staff of the Implementing Partners; (d) provision of nutrition education; (e) strengthening of appropriate ambulatory care; (f) acquisition of appropriate diagnostic equipment and materials, pharmaceutical drugs and supplies; (g) management of STIs; (h) provision of psychosocial support; (i) strengthening community linkages; and (j) carrying out of operational research.

#### **Part B: Strengthening Institutional Capacity of MOH**

1. Strengthening the capacity of MOH for the expansion of HIV/AIDS care and treatment, through: (a) the provision of technical advisory services and training for the development and implementation of treatment policy; (b) the provision of technical advisory services and training to staff of MOH for the carrying out of accreditation and approval of Implementing Partners and their treatment sites; (c) the provision of training on patient monitoring and tracking; (d) the provision of training to health workers; (e) carrying out or facilitating the carrying out of operational research; (f) conducting of workshops and meetings; and (g) acquisition of equipment.
2. Development and implementation of plans for the expansion of physical infrastructure, drug requirements and human resource development, including: (a) carrying out of limited civil works; (b) acquisition of extensive diagnostic and laboratory material and equipment; (c) provision of technical assistance and training; and (d) carrying out of supervision activities.
3. Carrying out of feasibility studies for improved patient tracking and implementing the recommendations from such studies.

4. Provision of technical advisory services, training and material support to facilitate the financial management, auditing, supervision and monitoring and evaluation of the Project.

\* \* \*

The Project is expected to be completed by March 31, 2007.

### **SCHEDULE 3**

#### **Procurement**

##### Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Grants" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Recipients" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

##### Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Recipient and works to be carried out by domestic contractors.

##### B. Other Procurement Procedures

1. Limited International Bidding. ARV's and other related products which the Association agrees can only be purchased from a limited number of suppliers may be procured under contracts awarded on the basis of Limited International Bidding.

2. National Competitive Bidding. Goods estimated to cost less than \$250,000 equivalent per contract and works estimated to cost less than \$500,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding.

3. Shopping. Works and goods (other than ARV's and other related products) estimated to cost less than \$50,000 equivalent per contract, and ARV's and other related products estimated to cost less than \$250,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.



4. Direct Contracting. Goods which the Association agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method with the prior approval of the Association.

5. Procurement from UN Agencies. Goods including drugs may be procured directly from UNICEF, WHO and other specialized United Nations agencies in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.

6. Commercial Practices. Goods and works for Sub-Grants made to Implementing Partners under Part A of the Project may be procured in accordance with commercial practices as described in the Project Operational Manual.

### Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$100,000 equivalent per contract may comprise entirely national consultants.

#### B. Other Procedures

1. Least-cost Selection. Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

3. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

4. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis subject to the prior approval of the Association.

5. Selection of UN Agencies and Nongovernmental Organizations as Consultants. Services for assignments that meet the requirements set forth in paragraphs 3.15 and 3.16 of the Consultant Guidelines may be procured under contracts awarded in accordance with the provisions of paragraphs 3.15 and 3.16 of the Consultant Guidelines.

6. Commercial Practices. Services under Sub-Grants made to Implementing Partners under Part A of the Project may be procured in accordance with commercial practices as described in the Project Operational Manual.

Section IV. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods estimated to cost the equivalent of \$250,000 or more; (b) each contract for works estimated to cost the equivalent of \$500,000 or more; (c) each contract for goods and works procured under Direct Contracting; (d) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; (e) each contract for consultants' services provided by individual consultants estimated to cost the equivalent of \$50,000 or more; and (f) each contract for services procured under Single Source Selection. All other contracts shall be subject to Post Review by the Association.

## **SCHEDULE 4**

### **Implementation Program**

#### **A. Institutional Arrangements**

1. The Recipient shall maintain CNCS, comprising of high level representatives of selected ministries of the Recipient, representatives of non-governmental organizations, community groups and other stakeholders, to be responsible for the definition of broad priorities, coordination and monitoring and evaluation of the performance of the Recipient's multisectoral HIV/AIDS response efforts.

2. The Recipient shall vest in MOH the overall responsibility for coordinating and implementing the Project. MOH shall, in the carrying out of its responsibilities under the Project, operate through DNS, DPC, GACOPI, the National Treatment Committee and several other units within MOH as specified in the Project Operational Manual.

3. The Recipient shall maintain within MOH:

(a) DNS and DPC, whose mandate, terms of reference and composition shall be acceptable to the Association, to be responsible for coordinating the implementation of the Project. For this purpose, DNS shall recommend the appointment of a coordinator who shall be responsible for coordinating the day to day execution of the Project, including, (i) monitoring and evaluation activities; (ii) technical programming; (iii) coordinating with GACOPI and the National Treatment Committee; (iv) reviewing and submitting to DNS for approval annual work plans and progress reports submitted by Implementing Partners; (v) consolidation of annual work programs and budgets; (vi) preparation and production of quarterly and annual progress reports; and (vii) liaising with UNECA and WHO for the carrying out of learning activities under the Program.

(b) GACOPI, whose mandate, terms of reference and composition shall be acceptable to the Association, to be responsible for the management of procurement, financial management and disbursement activities under the Project including preparation of financial reports and FMR's, preparation of reports on the procurement of drugs and other items, accounting, coordination of audit activities and maintenance of the Special Account.

(c) the National Treatment Committee, whose mandate, terms of reference and composition shall be acceptable to the Association, to be responsible for providing technical guidance including analyzing and revising treatment guidelines and strategies, identifying treatment problems and finding solutions thereto, supervising the delivery of treatment services and care provided and reviewing and submitting to DNS for approval Implementing Partner Sub-Grant proposals.

#### **B. Project Operational Manual**

The Recipient shall carry out the Project in accordance with procedures set forth in the Project Operational Manual, and, except as the Association shall otherwise agree, shall not amend or waive any provision thereof, if such amendment or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

C. Sub-Grants

1. Eligibility Criteria for Implementing Partners

Implementing Partners shall be selected to carry out activities related to HIV/AIDS treatment and care in accordance with the eligibility criteria, procedures and guidelines set forth in the Project Operational Manual and in the annex to this Schedule 4.

2. Terms and Conditions of Sub-Grant Agreements

(a) The Recipient undertakes that, unless the Association shall otherwise agree, Sub-Projects shall be prepared, approved, carried out and monitored in accordance with the procedures and other provisions set forth or referred to in this Agreement, the Project Operational Manual and the Environmental Management Plan.

(b) The Recipient shall, through MOH, enter into agreements with Implementing Partners, under terms and conditions satisfactory to the Association, which shall include the following:

- (i) the obligation of the Implementing Partner: (A) to carry out the Sub-Project with due diligence and efficiency and in accordance with sound administrative financial, environmental and public health standards; and (B) to maintain adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the Sub-Project;
- (ii) the requirement that the goods, works and services to be financed from the proceeds of the Sub-Grant shall: (A) be procured in accordance with procedures ensuring efficiency and economy and in accordance with the provisions of the Project Operational Manual; and (B) be used exclusively in the carrying out of the Sub-Project; and
- (iii) the Recipient reserves the right to:
  - (A) inspect by itself, or jointly with the Association, if the Association shall so request, the goods, works, sites, plants and construction included in the Sub-Project, the operations thereof and any relevant records and documents;

- (B) obtain all information as the Recipient or the Association shall reasonably request regarding the administration, operation and financial conditions of the Implementing Partner; and
- (C) suspend or terminate the right of the Implementing Partner to use the proceeds of the Sub-Grant upon the failure by the Implementing Partner to perform any of its obligations under the Sub-Grant Agreement.

D. Reports and Reviews

The Recipient shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about eighteen (18) months after the effectiveness date, a report, to constitute the basis upon which the mid-term review shall take place, integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, no later than three (3) months after submission, or such later date as the Association shall request, the reports referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

## **Annex to Schedule 4**

### **Eligibility Criteria for the Selection of Implementing Partners**

The following selection criteria shall apply to all Implementing Partners to qualify for Sub-Grants, in a manner satisfactory to the Association:

#### **A. Institutional Requirements**

- Legal entity operating within the territory of the Recipient;
- clear management structure and satisfactory internal controls;
- located in the Recipient's territory with field offices (preferred) to provide coverage to an appropriate numbers of population clusters (or geographic areas);
- access to means of communications;
- access to professional and trained staff including doctors, nurses and technicians (on HIV/AIDS-STI);
- access to administrative and project management staff including financial and procurement management;
- demonstrative working partnership with the Ministry of Health, private sector clinics and hospitals and/or other non-governmental organizations; and
- implemented (or implementing) Sub-Projects financed by other donors.

#### **B. Implementation requirements**

- Can produce most recent annual report, financial statements and/or latest financial audit report;
- demonstrated capacity of proper records keeping (financial and other);
- willing to sign performance-based contract with Ministry of Health that would trigger disbursement of fund advances;
- clear field supervision, monitoring and evaluation strategy for the scaling up of treatment;
- has Forms and formats relevant to patient monitoring;
- can produce implementation action plans with associated cost estimates; and

- preferably has the capacity to receive drugs from a central location and distribute to the treatment sites.

**C. HIV/AIDS Treatment Specific Requirements**

- Willingness and a clear strategy for rapidly scaling up their treatment programs;
- leadership and initiative in expanding quality HIV care and services which will limit implementation delays and enable the program to build on existing resources and the sources provided by the Project;
- flexibility and capacity to integrate ARV therapy into existing HIV/AIDS primary care and provide the continuum of treatment and care. This approach represents an effective and replicable model of ARV therapy in resource-limited settings that addresses HIV/AIDS as a chronic disease requiring continuous and appropriate care, support, and other services;
- can leverage existing in-country resources and expertise. This is critical in supporting site-driven programs and maximizing coordination of efforts on a local and national scale; increasing utilization of available resources and expertise; and building in-country capacity for scaling-up in the future;
- compliance with national policies and protocols for ARV eligibility, screening criteria; regimens, clinical and laboratory monitoring and follow-up, adherence, management of side effects, treatment interruptions and failures;
- developed (or developing) networks with community based organizations, including those for people living with AIDS, and community leaders and stakeholders; and
- practicing (or developing) a system in place for tracking patients, medical records and charting for clinical care and laboratory.

## **SCHEDULE 5**

### **Special Account**

1. For the purposes of this Schedule:
  - (a) the term “eligible Categories” means Categories (1), (2), (3), (4), and (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
  - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
  - (c) the term “Authorized Allocation” means an amount equivalent to \$4,000,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$2,000,000 until the aggregate amount of withdrawals from the Grant Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 5,000,000.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
  - (a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.
  - (b)
    - (i) For replenishment of the Special Account, the Recipient shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.
    - (ii) Prior to or at the time of each such request, the Recipient shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association



shall, on behalf of the Recipient, withdraw from the Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Recipient directly from the Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Recipient shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Grant allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Recipient shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Recipient may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

## SCHEDULE 6

### Modifications to the General Conditions

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

1. Sections 3.02, 3.03, 3.04 (a), 3.04 (b), 3.05, 6.05, Article VII, are deleted in their entirety.
2. Wherever used in the General Conditions, the following terms are modified to read as follows:
  - (a) The term “Borrower” is modified to read “Recipient”.
  - (b) The term “Credit” is modified to read “Grant”.
  - (c) The term “credit” is modified to read “grant”; except that where used in Sections 6.02 (a)(ii) and 6.02 (c)(i), as modified below, the term “credit” shall continue to read “credit”.
  - (d) The term “Credit Account” is modified to read “Grant Account”.
  - (e) The term “Development Credit Agreement” is modified to read “Development Grant Agreement”.
3. Article IV is modified as follows:
  - (a) Section 4.02 (a) and the heading of Section 4.02 are modified to read as follows:

*“Section 4.02. Currencies in which Commitment Charges are Payable*

    - (a) The Recipient shall pay the commitment charge on the Grant in the currency specified in the Development Grant Agreement or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to paragraph (c) or (e) of this Section.”
    - (b) Wherever used in Section 4.02 (c) and (e) of the General Conditions the words “principal and service charges” are modified to read “commitment charge”.
    - (c) Section 4.03 and its heading are modified to read as follows:

*“Section 4.03. Amount of the Grant*

The amount of the Grant withdrawn from time to time shall be the equivalent in terms of SDR (determined as of the date or respective dates of withdrawal from the Grant Account) of the value of the currency or currencies so withdrawn.”

4. Section 6.02 is modified as follows:

(a) The phrase “any other development credit agreement” in Section 6.02 (a)(ii) is modified to read: “any other development grant agreement or any development credit agreement or development financing agreement”.

(b) The phrase “any development credit agreement” in Section 6.02 (c)(i) is modified to read: “any development grant agreement, development credit agreement or development financing agreement”.

5. The words “The principal of, and any other charges on” in paragraph (a) of Section 8.01 are modified to read “The commitment charge on”.

6. Section 12.05 and its heading are modified to read as follows:

“Section 12.05. *Termination of Development Grant Agreement.*

The obligations of the Recipient under the Development Grant Agreement shall terminate on the date 20 years after the date of the Development Grant Agreement.”